LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
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FISCAL IMPACT STATEMENT

LS 7159
BILL NUMBER: HB 1317

DATE PREPARED: Dec 31, 1998
BILL AMENDED:

SUBJECT: Fire protection funds.

FISCAL ANALYST: Beverly Holloway; Kristin Breen
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FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill eliminates the Firefighting and Emergency Equipment Revolving Loan Fund (Loan Fund) and creates the Firefighting and Emergency Equipment Grant Fund (Grant Fund) administered by the Office of the State Fire Marshal. It requires a grant to be used for the purchase of firefighting and emergency equipment and other incidental expenses.

This bill repeals the Fire Safety Equipment Revolving Loan Account (Loan Account) in the Build Indiana Fund.

This bill releases the obligation of a loan recipient under the Loan Fund and the Loan Account to pay the remaining balance due on the principal plus interest of a loan. It transfers any funds remaining in the Loan Fund to the Grant Fund.

This bill also transfers $500,000 per month to the Firefighting and Emergency Equipment Grant Fund from the Lottery and Gaming Surplus Account in the Build Indiana Fund.

Effective Date: July 1, 1999.

Explanation of State Expenditures: *Grant Fund:* This bill creates the Firefighting and Emergency Equipment Grant Fund (Grant Fund) administered by the Office of the State Fire Marshal. Administrative expenses are paid from the Grant Fund.

Grants from the Grant Fund are to be used for the purchase of firefighting and emergency equipment and other incidental expenses. Money in the Grant Fund also includes transfers of any funds remaining in the Loan Fund. As of December 22, 1998, the balance remaining in the Loan Fund is $504,500 (assuming that the pending applications are approved). The $504,500 balance will be reduced to pay for the administrative expenses of administering the Loan Fund.

This bill also transfers $6 million each year to the Grant Fund from the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund (BIF). There are two accounts within the BIF: the LGSA and the State and Local Capital Projects Account (SLCPA). Surplus lottery revenue, as well as revenue from the riverboat wagering tax, the parimutuel wagering tax, and charity gaming is deposited in the LGSA. A statutorily-determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. A portion of money remaining in the LGSA is then transferred to the SLCPA. Under this bill, the $6 million would be transferred to the Grant Fund after money is transferred to MVETRA, but before money is transferred to the SLCPA.

Based on projected gambling revenue to be deposited in the LGSA, it is estimated that there will be enough money in the LGSA to cover the transfers to MVETRA and the Grant Fund, with money remaining for state and local projects. Therefore, no state General Fund appropriation will be necessary.

Explanation of State Revenues: *Loan Fund:* This bill eliminates the Firefighting and Emergency Equipment Revolving Loan Fund (Loan Fund) and releases the obligation of a loan recipient under the Loan Fund. **As of December 22, 1998, the total amount either disbursed, approved but not disbursed, or application pending approval is $1,495,500**. This bill eliminates the repayment of those loans to the Loan Fund. However, this bill provides that the amount of the remaining balance due on the principal plus interest of a loan from the Loan Fund shall be deducted from the total grant amount allowed (from the Grant Fund) to the qualified entity.

Loan Account: This bill also forgives and releases the obligation of those communities and fire safety service providers listed in P.L. 340 - 1995, Section 37 to repay loans issued under the Fire Safety Equipment Revolving Loan Account within the Build Indiana Fund. This would eliminate the repayment of those loans to the account. Without the repayment of those loans, there will less money in the account to loan to other communities and fire safety service providers. This bill provides that the amount of the remaining balance due on the principal plus interest of a loan from the Loan Account shall be deducted from the total grant amount allowed (from the Grant Fund) to the qualified entity.

P.L. 340 - 1995 appropriated $3 million to this account. Almost all of the $3 million has been loaned, of which only 50% is required to be repaid to the account. **As of November 6, 1998, those communities listed in P.L. 340 had an outstanding loan balance of $586,214**. The unobligated balance of the account was $82,198 as of November 12, 1998. No interest is owed on these loans. This amount may change before July 1, 1999 if additional loans or repayments are made. The Loan Account is administered by the State Budget Agency.

Explanation of Local Expenditures: *Loan Fund:* This bill releases the obligation of a loan recipient from the Firefighting and Emergency Equipment Revolving Loan Fund. As of December 22, 1998, the total amount either disbursed, approved but not disbursed, or application pending approval is $1,495,500. The volunteer fire departments that have a loan from the Loan Fund do not have to pay back the loans. The loans were made for the purpose of purchasing new or used firefighting and other emergency equipment of apparatus and legal and other incidental expenses that are directly related to acquiring the equipment or apparatus.

Loan Account: This bill forgives and releases the obligation of those communities and fire safety service providers listed in P.L. 340 - 1995, Section 37 to repay loans issued under the Fire Safety Equipment Revolving Loan Account. Therefore, these communities and fire safety service providers do not have to pay back the loans. Almost all of the $3 million has been loaned to communities and fire safety service providers, of which only 50% has to be repaid to the account. As of November 6, 1998, those communities listed in P.L. 340 had an outstanding loan balance of $586,214.

The loans were made for the purchase and lease of fire safety equipment, especially fire engines and necessary or useful equipment related to fire engines and fire safety.

Explanation of Local Revenues:

State Agencies Affected: Office of the State Fire Marshal; State Budget Agency.

Local Agencies Affected: Bentonville Volunteer Fire Department; Dublin Volunteer Fire Department; Moral Township; Shawswick Volunteer Fire Department; Wayne Township (Tippecanoe County); City of Alexandria; Gaston Volunteer Fire Department; German Township Volunteer Fire Department; Hanna Township Volunteer Fire Department; Lafayette Township Fire Department; Liberty Volunteer Fire Department; Lincoln Township; Scipio Township; Winona Lake Volunteer Fire Department; Town of Mentone; City of Seymour; Town of Vevay; City of North Vernon; Henry Township Volunteer Fire Department (Fulton County); Swayzee Volunteer Fire Department (Grant County); Orange Township Volunteer Fire Department (Noble County); Sheffield Township (Tippecanoe County); Milan Volunteer Fire Department (Ripley County); Clay Township Volunteer Fire Department (Owen County); Lake Township - Arcola Volunteer Fire Department (Allen County); Mexico Community Fire Association (Miami County); Elberfield (Warrick County).

Information Sources: Dave Dukes, State Budget Agency, (317) 232-2974. Mara Snyder, Office of the State Fire Marshal, (317) 233-5341.